

## MINUTES

### MONTANA SENATE 51st LEGISLATURE - SPECIAL SESSION

#### COMMITTEE ON TAXATION

Call to Order: By Chairman Bob Brown, on July 7, 1989, at 8:00 a.m., Room 413-15, Capitol

#### ROLL CALL

Members Present: Senator Bob Brown, Senator Al Bishop, Senator Bruce Crippen, Senator Dorothy Eck, Senator Del Gage, Senator Tom Hager, Senator Mike Halligan, Senator Joe Mazurek, Senator Bill Norman, Senator Elmer Severson, Senator Mike Walker

Members Excused: Senator John Harp

Members Absent: None

Staff Present: Jeff Martin

#### DISCUSSION ON HB 5

Chairman Brown announced that the committee needs to take executive action on HB5, and distributed copies of a proposed amendment to correct a clerical error which occurred in the House. He indicated that, as the committee members may know, railroad employees, by federal law, can not participate in Social Security, that they have to participate in railroad retirement and, if Social Security is not counted as income, railroad retirement income should not be counted. He added that this amendment has been made for them in other bills, before, and this was an oversight in the House of Representatives, that it should have been taken care of there and, regardless of what the committee does with HB5, this amendment should probably be included in the bill.

Motion: Senator Hager offered a motion that the proposed amendments be adopted.

Senator Mazurek asked if they are changing the current laws which apply to Social Security. Senator Norman responded that Social Security is exempt, now. Senator Mazurek indicated that it is exempt up to a point, and asked what is the effect of this, if they are exempting all railroad retirement income, and why would it not be the same \$12,000. Chairman Brown

asked Mr. Dave Ditzel, Brotherhood of Locomotive Engineers to answer that.

Mr. Ditzel reported that railroad retirement has been in existence since before Social Security came into effect, and people who work in railroad have never participated in the Social Security retirement system. He indicated that a federal statute prohibits any taxation of that annuity, and it might be necessary to include this in the state statutes. He noted that their only purpose for having some kind of language for this in the state statute would be to have some reference to it in the state statute so there would not be any questions, whatsoever, by the people in the administration of this bill which would stand in the way of retirees on this matter.

Senator Norman asked, if this amendment is adopted, would the income of railroad retirees be treated the same as Social Security income. Mr. Ditzel responded that he is not sure he can answer that, and indicated, again, that their motivation is just to acknowledge in the state statute the existence of the federal law. Senator Norman pointed out that their dilemma, at the moment, noting that he supposes there is no objection to treating railroad retirement the same as Social Security, is how do they treat Social Security. Senator Mazurek suggested that Mary Craig, who is a CPA, may be able to answer that question.

Ms. Craig responded that railroad people get, basically, three kinds of money, that they get their retirement, they get Social Security, and the executives get an additional type of retirement money. She reported that, right now, by federal law, the Social Security portion of the railroad retirement and the railroad retirement portion is totally excluded from any taxation by federal law, and Montana can not tax it. She added that the pensions for the executives are not excluded, and have been treated just like private retirees have treated their retirement plans. She indicated that the exclusion they are talking about here, the \$12,000, would go against the various pension plans which have been set up, and the other railroad retirement, that they just can not tax because a federal law says states can not tax that.

Senator Norman asked if, right now, in this bill, there is an exemption for Social Security income. Ms. Craig responded that Social Security is not considered in this bill, as far as she knows. Senator Norman asked if she is familiar with the amendments. Ms. Craig responded no. Senator Norman then asked, if this amendment were to be part of the bill, have

they then, in effect, treated railroad retirement, the first two categories, the same as Social Security. Ms. Craig asked if it will include all benefits received under the Railroad Retirement Act from the Railroad Retirement Board, which is what is in the federal law. Senator Mazurek indicated that may address the question. Ms. Craig noted that, in this kind of situation, instead of saying railroad retirement, they should say railroad retirement received under the federal Railroad Retirement Board, that there is a name for that board.

Senator Norman asked if they would then be treating railroad retirement, virtually all railroad retirement, the same as Social Security in this bill. Ms. Craig responded yes, and indicated that, in this bill, they are not addressing Social Security so, if they put that in, they would not be addressing railroad retirement, either. Senator Norman noted that they would, then, be treating them the same.

Senator Halligan stated that he does not think that is true, and indicated that railroad retirement money would not be included in income to get to the \$12,000 exemption, but that Social Security would. He added that, if he had another pension, plus Social Security, which went over \$12,000, he would be taxed, that they do not exempt Social Security. Senator Norman pointed out that Ms. Craig said they do. Senator Eck indicated that half of the Social Security is taxed, if a person's income is over \$32,000, and asked if the same is true with railroad retirement. Ms. Craig responded no. Senator Eck asked if any of it is ever taxed. Ms. Craig responded no, except for the portion she mentioned, which is what she thinks they should include in the bill under the Railroad Retirement Board.

Chairman Brown indicated that Ms. Craig has seen a copy of the amendments, and asked if this would put in a new item to say all benefits received under the Railroad Retirement Board. Ms. Craig responded that she would have them use exactly the same wording which is in the federal act, "received from the Railroad Retirement Board".

Mr. Martin referred to page 5, subsection 6, at the bottom of the page, which talks about married taxpayers filing a joint federal return who must include part of their Social Security benefits or part of their tier 1 railroad retirement benefits for federal adjusted gross income may split the federal base used in the calculation of federal taxable Social Security benefits or federal taxable tier 1 railroad retirement benefits when they file separate Montana income tax returns.

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Ms. Craig indicated that, then, it would be just the same language, that they are just exactly the same.

Senator Mazurek and Senator Norman both asked why they need the amendment. Senator Eck indicated that she does not think this takes care of it because subsection 6 is talking about married taxpayers who file jointly. Senator Mazurek indicated this does not cover Social Security, either, noting they have done this a hundred times. Chairman Brown asked haven't they done this before. Senator Mazurek responded yes, but indicated the point is that it is covered in other sections, and they are trying to make doubly sure, if it is not covered here. He then asked, if they cover this and do not cover Social Security, does it mean they want to include Social Security.

Chairman Brown reminded the committee members of a bill, a few years ago, in which, somehow or another, they did not cover the railroad retirees, and covered Social Security, so they had to come back and put it in, noting that may not have been the only time they had to make sure they covered these people.

Senator Eck offered a motion that the amendments be adopted, that she thinks it is harmless. Chairman Brown reminded Senator Eck that Senator Hager has already offered that motion. Senator Mazurek asked Senator Eck if she is convinced of that, indicating that it may affect Social Security, that he wants to treat these as they are supposed to, and asked are they now, by doing this for railroad and not for Social Security, changing things for Social Security. He indicated he would like to have someone from the department answer that question. He further indicated that, if it is not necessary to accomplish what they are trying to do, then they should not do it; if it is necessary, they should do it; if they need to include Social Security, they should do that, but they should not just do something because they think maybe it is okay. Senator Eck responded that, since they are going to be doing some other things, maybe the department people should be here.

Senator Hager withdrew his motion to adopt the proposed amendments.

Motion: Senator Eck then offered a motion that the Nordtvedt amendments be adopted. She indicated that, basically, the amendments put the Governor's language back in, and indexes the \$12,000 so that it would be up to \$18,000, noting they did pretty much what Senator Mazurek wanted to do, by not including the additional interest dividend, annuity interest.

Senator Halligan asked if this amendment adds a couple of million to the bill. Senator Eck responded \$1.4 million, adding that the whole thing is sunsetted in two years, that the whole thing will cost \$4, but they were going to have to spend \$2.6, anyway. She further indicated she thinks it satisfies ET, and she also thinks it satisfies the state employees, that it really encourages people to retire because they are treated so well. Senator Halligan pointed out that, given the personal exemption, the standard deduction, and the figures Ms. Craig put on the board, they can make as much as \$19,000 before they will be subject to any taxation, or somewhere close to that, and indicated he does not see any reason, noting he understood what Mr. Nordtvedt said about taxing the real growth in the income, and that sort of thing, that he thinks people making \$19,000 a year should be paying a little bit of tax on anything above that. He then indicated that he would rather leave it at \$12,000, and come back in a couple of years with a study.

Senator Walker stated that he feels the same way, that they did not pass the bill in the first part of this special session dealing with pensions because they did not have a definition of pensions, and they are not addressing that in this bill, either.

Senator Eck indicated that the testimony was that, of the new retirees under Teachers' Retirement, noting it is probably pretty much true under the state and the fireman, the game wardens, and whatever else they have, about half the retirees would be paying state tax on their retirement income. She then indicated that she thinks, before they take that benefit away, which they are sure they have been promised, and she thinks they are probably right, they need to negotiate. She added that this is going to take some time, and that, in the interim, she thinks they are treating those state education teachers, all those employees, fairly, that she thinks they are probably avoiding some litigation, and that she does not think the \$1.4 million is a great cost. She noted that it is true there is a whole bunch of other people who have their own situations, who are not getting any benefits, but pointed out that they have not been, anyway, that they are not able to take advantage of the \$3,600 they have now, so their situation is not being changed. She then stated that, for \$1.4 million, they are buying some time, that she thinks they need to come in and do a study, and does not think they can do anything more generous until they have another source of income, that there is a limit to the number of times that extra \$20 million Ms. Carlson found can be spent.

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Senator Halligan asked if this would include the tier 1 portion. Upon the response that it does, he then asked why they can not do just the tier 1 portion, just because they do not want to double tax some of those people, noting that he thinks that is reasonable. He again asked if they can just do that, and if they know the numbers on just adopting the tier 1 portion, so that those who had actually paid taxes on their money, going in, would get it, private people, too.

Chairman Brown stated that he thinks, if they are going to pass the bill, they definitely need to go that far, that they definitely need to pass that. Senator Gage indicated that, as he reflects back on some of the things which have happened over the past interim, part of the argument has been that people who work for state government do so on the basis that they are not going to have these benefits taxed and, therefore, are willing to work for less, in a lot of instances, for state government, and stay with state government. He then invited the committee members to look at the study which was done in the DD field, pointing out that those people working for private enterprise in community-based programs are about 60% of the salary and wage those people with the institutions in Montana are getting, noting that they can find that throughout state government and local government, where they are making more than people in private enterprise, doing essentially the same thing. He pointed out that the fact that it was not taxable, in a lot of instances, does not wash with him, at this point.

Senator Eck responded that she thinks the inequity between the private sector and public sector really occurs in the higher income jobs, that, as she has said before, positions are being advertised for state government jobs, for engineers, hydrologists, and such, where what they are willing to pay for someone with a masters degree is less than what the going rate is for people graduating with a bachelors. She stated that she would contend that, for people taking those jobs, one of the things they are really looking at, in addition to being able to stay in Montana where it is wonderful, is the fact that they do have this additional benefit, which they assume is going to be worth something to them. She indicated she thinks the argument made the other day about the person who buys a municipal bond, if all of a sudden they change the rules and say that its taxable when he collects on it, they are breaking faith, noting that she thinks that is the real argument, so far as the public employees go. She added that the lower ones are not going to get a \$12,000 pension, and their retirement benefit will be excluded, anyway.

Senator Gage indicated the breaking faith thing is a deterrent, but they have done that in the tax laws, over the years, time and after time. He pointed out that those people who were planning on capital gains when they bought bonds and stocks and properties, they threw them out, noting that is breaking faith, but they did it anyway because they needed the tax revenue and needed to reduce the rates, and justified it any way they wanted to justify it, and that they have done that with all kinds of tax proposals, so far as income tax and, even worse than that, they have piggy-backed on the federal people so that, at this point at least, for the time they are not in session, that is automatic, and they do not have any control over that until they get back into session, and say, "well, we want to stay with it", or "we don't want to stay with it". Senator Gage stated that, from that perspective, he thinks there is a precedent for breaking faith, noting that it does not make it right, necessarily, but they are not setting any precedent which has not been out there for years and years.

Senator Walker stated that this is kind of a shotgun approach, and he really does not think they should pass it, other than a study, personally. He reported there are people who retired from the power company and, as a benefit of retirement, get their utility bills paid, or a portion of them paid, and there are people who retire from the telephone company whose health insurance is paid throughout their retirement, and that those are not taxable kinds of benefits. He stated this is broad-ranging and, to just jump in their and say this is equalized, is bull, that he would rather see them take a closer look and scrutinize this, and come up with something that is iron clad, or at least the best they can come up with.

Senator Crippen noted that they talk about breaking faith regarding capital gains, and pointed out to Senator Gage that they restored that in the 1987 session to try to keep the faith, that they are not like the federal government who does not give a damn about faith, one way or the other. He indicated that maybe what they should be looking at is they are struggling with all these, who is retired, tier 1, tier 2, this whole thing, and maybe they should eventually be looking at the whole broad thing. He reported that this is Senator Bishop's idea and he can not take credit for this, that it is one of those great ideas he had about five years ago to eliminate the first \$15,000-\$18,000 for everybody, at age 62, across the board. He noted that they are not going to do that, in this special session, that he doubts it, but maybe if they pass this bill to study it, that is something they can

work on. He added that he is sure, that he would think they would have some equality in taxation, depending on the level they use. He then stated that they have to set a point, that the Legislature has to decide what is a high point, that they will always catch a few above that who may not be taxed now, but that Senator Halligan made a good point, and there is that point where, above that, they should pay some taxes but, below that, they do not have to pay taxes on it, noting that they do not want any of the people to pay taxes on that, that they want them to spend it in the state, they want them to stay in the state and spend it in the state, that they will get it back through a multiplier.

Chairman Brown indicated that there appears to be a lot of difference of opinion about this, and he does not know what the committee wants to do, for sure. He further indicated that it occurs to him that they will put the staff to a lot of work to amend it, if they are not going to pass it out, anyway, and asked that the committee try to put it on the table and, if that succeeds, maybe it will stay there. He added that, if not, they can get into the amendments and see what the committee wants to pass out.

Motion: Senator Halligan offered a substitute motion to adopt just the tier 1 portion of the Nordtvedt amendments.

Senator Eck asked Senator Halligan to explain the ramifications of that. Senator Halligan responded that it is his understanding it will provide that anyone with paid money into their pension, after-tax dollars, would be able to use the multiplier, and would not be double taxed on contributions made prior to 1985, at least for public employees. Senator Eck asked if Senator Halligan remembers what that adds up to, starting at \$12,000.

Senator Norman asked Senator Halligan, if his motion should prevail and the bill is amended, if he is going to move to table the bill. Senator Halligan responded no.

Vote: Chairman Brown called for a roll call vote on the substitute motion by Senator Halligan that the tier 1 portion of the Nordtvedt amendments be adopted. Motion passed by the committee, with Senators Eck and Hager opposed and Senator Harp not present.

Chairman Brown then called for discussion on Senator Eck's motion to adopt the remainder of the Nordtvedt amendments.



Senator Eck asked if, without this, they still have the sunset in and still have the study in, noting that they are not sure of the effect of just having the tier 1 in, and asked if the indexing is in the bill, as it is. Several of the committee members responded no, and Chairman Brown indicated they will put that in with this amendment. Senator Mazurek reported that they put the tier 1 in so that after tax contributions, as they come out, will not be taxed again, and that what is left is to go to \$12,000 indexed, or \$18,000, and indexed on into the future.

Vote: Chairman Brown called for a roll call vote on Senator Eck's motion to adopt the remainder of the Nordtvedt amendments. Motion passed with Senators Bishop, Gage, Halligan, SEverson and Walker opposed and Senator Harp not present.

Senator Gage pointed out that page 18, lines 10 and 12, indicates a report by this study committee to the 52nd Legislature, and that same section terminates June 30, 1991, noting he does not know if that termination date is six months later than the report, or not, but it is keeping them from going for another six months after they make the report. Senator Mazurek indicated he does not think they want to fool with it, that it applies to the whole section, to get rid of this augmented committee. Senator Gage asked if Section 15 is the only one that terminates June 30th, that the rest of it terminates December 31st. Senator Mazurek indicated that is because it relates to taxation, and that terminates on the fiscal year for appropriation purposes, noting that whole section is the study, it is an appropriation, who appoints, the make-up of the committee.

Senator Gage indicated that, if they report their recommendations to the 52nd Legislature, it does not look to him like they will need to continue them after that report is made, noting that he does not think it is significant, but wanted the committee to realize that.

Chairman Brown acknowledged that Senator Crippen has asked to be recognized, but, before he recognizes Senator Crippen, he would ask if the committee really wants to have the Revenue Oversight Committee augmented by five persons appointed pursuant to another section of the bill, and become sort of a strange appendage subcommittee of the Revenue Oversight Committee, again asking if they want that. Senator Eck indicated she thinks the reason for that was that they thought one of the things they might work on is negotiations with the retirement people for giving up their exclusion in exchange

for a smorgasbord of benefits of some kind and, if they do that, it would be most appropriate to have them in on the decision.

Senator Crippen indicated that they change tax policies, do all kinds of stuff, and asked are all the taxpayers in the state represented. He pointed out that they are representing them, and they are going to have a committee sitting up there, noting that, if they want an advisory committee, that is fine, but this committee will have to keep quiet until the morning of the second day, or whenever they get to that particular point, and then they can talk. He then asked if they get to vote on it, noting that he does not think that is appropriate because it is a legislative committee, and indicated that they will want to talk on other issues, that they will have a big damn tea party, and will not get anything done. He stated that he thinks it is absolute utter nonsense to have this in there.

Senators Mazurek and Norman suggested that Senator Crippen move to amend it out. Chairman Brown asked Senator Crippen if he still wants the Revenue Oversight Committee to look at it in the interim. Senator Crippen responded not particularly. Senator Eck added that it would be nice to have that extra \$10,000 for Revenue staff. Senator Crippen indicated that he does not mind having the groups come in, ET and others, and advising them, that he thinks that is fine. Senator Norman pointed out that they have solved their problem, but have wrecked the Revenue Oversight Committee, and asked what are they going to do for a revenue oversight committee.

Motion: Senator Crippen offered a motion to strike the five persons appointed pursuant to Section 2.

Vote: Motion passed unanimously, by voice vote, by the committee.

Motion: Senator Norman offered a motion that HB5, as amended, be tabled.

Chairman Brown announced that Dave Bohyer is here, and may be able to answer questions on railroad retirement, noting that maybe, if Senator Norman's motion passes, they will not have to worry about that, either. Senator Gage asked if there was any discussion, before he arrived, about Social Security being considered retirement. Senator Norman responded there was. Senator Gage then asked if everyone was satisfied, and Senator Eck responded no, that they still have to deal with it.

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Vote: Chairman Brown called for a roll call vote on Senator Norman's motion that HB5, as amended, be tabled. Motion passed, with Senators Crippen, Eck, Hager, Halligan and Mazurek opposed and Senator Harp not present.

OTHER BUSINESS

Chairman Brown announced that Senator Paul Rapp-Svrcek has an idea he wants to share with the committee.

Senator Rapp-Svrcek reported that he ran this by Senators Gage and Harp, earlier in the week, noting that Senator Harp was pretty supportive, but he does not know how Senator Gage feels about it. He then indicated that, without getting into a discussion regarding SB22, noting that the committee members all know how he felt about, he has an idea for property tax relief, and that Senator Gage suggested he run it by the committee perhaps for a committee bill, or it can be plugged into something else which might come back to this committee.

Senator Rapp-Svrcek stated that, in order to do this, they have to make some of the same assumptions the Governor makes, which are that they take \$10 million a year out of the general fund, that coal production continues at a steady rate over the next several years, and that the new money the LFA found starts in fiscal year 1990 at \$11 million and, after that, it is \$5 million a year. He indicated that, if they add those things to the flow from the education trust, the local impact board, the county land planning money, and the conservation district money, all from the south side of the coal trust, if all those are added together, they come up with approximately an 8% top rate for personal property tax. He reported that the Governor, as the committee members know, originally came in at either 6% or 7%, noting he is not sure what it was, and they are questioning, right now, whether they can fund 6%, adding that this was the discussion, yesterday, in the House hearing on SB22. He indicated that, if they can come in at 8% or 9%, he thinks that is a pretty good compromise, that it gets away from all the questions about the three-quarters vote, and whether it is constitutional, that all it takes is a majority vote to do away with all these funds on the south side of the coal tax, and they can fund some pretty significant property tax relief.

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Senator Rapp-Svrcek stated that it is a bitter pill to swallow, that all these things have their constituencies, but indicated that he thinks it is a prudent business move that, if they are in business and have to cut back somewhere, his sense is that they do not necessarily raid their golden egg, if there is something a little less important which can be diverted.

Senator Eck stated that she does not agree with some of Senator Rapp-Svrcek's funding sources, but that she does agree with his premise, and indicated she thinks a committee bill might be good, noting that she thinks they might be working on Representative Cohen's bill, on second reading. She then indicated that she thinks there are other sources which are more reliable, and is convinced that SB22 will not hold up in court.

Senator Eck then stated that she is really concerned about taking general fund money to fund property tax relief because she thinks that, in the end, the counties will get shafted on this, that, somehow, when it means taking general fund money to reimburse counties for their tax loss, they have not been very good about that, in the past. She added that she thinks it would be a good thing to have a committee bill to do this because it looks as though they need a bill, if they are to get out of here.

Senator Crippen commended Senator Rapp-Svrcek for bringing this to the committee, and he knows his intentions are pure and honest, but indicated that he thinks Senator Rapp-Svrcek is going down the same line a number of them on the committee have gone down. He pointed out that Senator Eck, himself and others have gone down that same road, which is why he came to the conclusion that the best way to reduce property tax, both personal and real, is by eliminating mills, taking the mills off, although the mills are the greatest source for education, and is why bills have come in, in the past, for a totally new source of funding. He indicated that this is the cleanest way to do it, that they avoid the problems, and avoid the uncertainty of that money being there one biennium and not the other. Senator Crippen stated that, when they have another source of revenue, it is cleaner way of doing it.

Senator Rapp-Svrcek indicated he does not have a strong argument against that, except that his sense is that, if his district is any indication, that new source of revenue would not make it in the next general session, adding that he has become convinced they need something to reduce property taxes in this session. He further indicated that he hears Senator

Crippen but, as Senator Brown said a couple of weeks ago, all politics is the art of the possible. Senator Crippen responded that politics is the art of the impossible.

Senator Gage noted that he did encourage Senator Rapp-Svrcek to bring this to the committee, and indicated to him just what Senator Crippen has indicated, as far as some attempts to do this in the past. He reported that those attempts were made, in the past, in a whole different context than what Senator Rapp-Svrcek is trying to do, and that he would like to see the committee do this, to give them another vehicle. Senator Gage then indicated, in response to Senator Crippen's remarks about bringing the mills down, that is great, but that what this bill does, and does not do, is it concentrates those dollars on specifically taxed property so, in this case, if it goes down to 8%, they are talking about just those properties that are above 8% but, if they take the mills down, they affect personal at 4%, personal at 8%, personal at 11%, 13%, 16%, or whatever it is, noting that it is kind of like the guaranteed tax base in HB28, that they get more bang for their buck if they want to bring those higher taxed properties down to lower rates.

Senator Gage responded to a comment by Senator Eck, and indicated there would be some relief for all of the property tax payers, in some districts, but not all.

Motion: Senator Eck offered a motion that a committee bill be authorized to reduce personal property taxes. She added that she thinks the committee will need to do some negotiating on an amount, and indicated she will not approve his methods, but asks that the committee look at some methods, including some of the coal money, and including some general fund money, noting that she personally feels they can look at a surtax.

Chairman Brown asked that Senator Eck be more specific, pointing out that, if they are to draft a bill, they will have to know what the bill is going to be.

Senator Crippen noted that Senator Eck stated she did not think SB22 would pass the court test, and indicated that he does not wear a black robe, and neither does she, so they do not know. He added that he probably would surmise it will have a challenge, and that is an appropriate way of doing it, but indicated that this is going through the channels, now, that it has not died yet. He referred to the Canola bill, noting that it can be amended on the floor, if they have the

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forces to do it, but that it will be pretty tough for some of the Representatives to do that, and maybe jeopardize the entire bill. He indicated that he does not know how long they are going to be here but, if they are going to be here all next week, he thinks that is a whole new game and, if they do not get this thing out, Senator Rapp-Svrcek's bill is just one more bill which will be in the hopper by that time.

Senator Eck withdrew her motion, indicating she thinks the time factor is critical, and that she also thinks there is a bill on second reading in the House, now, which could do the same thing, if they can get some negotiating going with people in the House. She noted that she had a feeling, yesterday, that they were maybe starting to look at that, and it will have to go there, eventually, anyway.

Senator Severson stated that he does think they have time to get into this type of thing, that he thinks they are talking about something which should be discussed in the general session, not in the special session, adding that, hopefully, they will be out of here long before that could get on the floor. He added that he does not think they need to expand this session anymore.

Chairman Brown asked if it is the consensus of the committee that, if they are still here Monday, they might want to do this. The response from the committee members was yes.

ADJOURNMENT

Adjournment At: 9:00 a.m.

  
BOB BROWN, Chairman

BB/mhu  
HB5EXAC.077

ROLL CALL

COMMITTEE ON TAXATION  
51ST LEGISLATIVE SPECIAL SESSION

DATE:

July 7, 1989

NAME	PRESENT	ABSENT	EXCUSED
SENATOR BROWN	✓		
SENATOR BISHOP	✓		
SENATOR CRIPPEN	✓		
SENATOR ECK	✓		
SENATOR GAGE	✓		
SENATOR HAGER	✓		
SENATOR HALLIGAN	✓		
SENATOR HARP			✓
SENATOR MAZUREK	✓		
SENATOR NORMAN	✓		
SENATOR SEVERSON	✓		
SENATOR WALKER	✓		

Amendments to House Bill No. 5  
Third Reading (Blue) Copy

Requested by Rep. Bob Bachini  
For the Committee on Taxation

Prepared by Dave Bohyer  
July 6, 1989

The purpose of these amendments is to include language in the bill that was apparently inadvertently omitted from the Standing Committee Report of the House Committee on Taxation.

The effect of the language in the amendment is to exempt from income taxation all benefits received from Railroad Retirement (which is social security for railroad employees).

1. Page 4, line 8.  
Strike: "and"

2. Page 4, line 15.  
Following: "orange"  
Insert: "; and  
(j) all benefits received under railroad retirement"

3. Page 10, line 12.  
Following: "~~19-9-1005~~"  
Insert: ";  
(j) all benefits received under railroad retirement"



Amendments to House Bill No. 5  
Third Reading Copy

For the Committee on Taxation

Prepared by Jeff Martin  
July 6, 1989

1. Title, line 5.

Following: "BENEFITS"

Insert: "AFTER ADJUSTMENT FOR INFLATION;"

2. Title, line 7.

Following: "SYSTEMS;"

Insert: "TO EXCLUDE FROM TAXATION AN AMOUNT OF BENEFITS BASED  
UPON THE PERCENTAGE OF YEARS IN WHICH THE EMPLOYEE PAID  
INCOME TAXES ON THE CONTRIBUTIONS TO THE PENSION OR  
ANNUITY;"

3. Page 1.

Following: line 17

Insert: "NEW SECTION. Section 1. Determination of retirement  
benefits exempt from taxation -- limitations. (1) For the  
purposes of 15-30-111 and 15-30-136, the amount determined  
in subsection (1)(a) plus the amount determined in  
subsection (1)(b), subject to the limits in subsection (2),  
may be excluded from the amount of benefit income derived  
from pensions and annuities. The taxpayer is entitled to:  
(a) the total amount of all Montana income tax adjustments  
for pensions and annuities paying benefits to the taxpayer. The  
tax adjustment for each pension or annuity is the amount of  
benefits received from the pension or annuity received during the  
year multiplied by the product of 35% times a fraction with a  
numerator that is the number of years Montana income taxes were  
paid on contributions the employee made to the pension or annuity  
over a denominator that is the number of years the employee made  
contributions to the pension or annuity.

(b) twelve thousand dollars in benefits, adjusted by the  
department of revenue by the inflation factor in 15-30-101(8),  
for each taxpayer regardless of the number of pensions or  
annuities paying benefits to the taxpayer.

(2) The allowable exclusion amount calculated in subsection  
(1) is limited to:

(a) the exclusion amount calculated pursuant to subsection  
(1); or

(b) the benefits received from pensions and annuities."

Renumber: subsequent sections

4. Page 2, lines 23 and 24.

Strike: "all" on line 23 through "received" on line 24

Insert: "the allowable exclusion amount of benefits from a  
pension or annuity determined pursuant to [section 1]"

5. Page 9, lines 15 and 16.

Strike: "all" on line 15 through "received" on line 16

Insert: "the allowable exclusion amount of benefits from a pension or annuity determined pursuant to [section 1]"

6. Page 12, line 4.

Strike: "for"

Strike: "\$12,000"

Insert: "the exclusions provided in [section 1]"

7. Page 12, line 19.

Strike: "\$12,000"

Insert: "the exclusions provided in [section 1]"

8. Page 13, line 11.

Strike: "The first \$12,000"

Insert: "Benefits"

Strike: "is"

Insert: "are"

9. Page 13, line 12.

Following: "taxation"

Insert: "to the extent authorized under [section 1]"

10. Page 13, line 20.

Strike: "\$12,000"

Insert: "the exclusions provided in [section 1]"

11. Page 14, line 10.

Strike: "\$12,000"

Insert: "the exclusions provided in [section 1]"

12. Page 14, line 25.

Strike: "\$12,000"

Insert: "the exclusions provided in [section 1]"

13. Page 15, line 12.

Strike: "\$12,000"

Insert: "the exclusions provided in [section 1]"

14. Page 15, line 24.

Strike: "The first \$12,000 of benefits"

Insert: "Benefits"

15. Page 15, line 25.

Following: "taxation"

Insert: "to the extent authorized under [section 1]"

16. Page 16, line 10.

Strike: "The first \$12,000 of benefits"

Insert: "Benefits"

17. Page 16, line 12.

Following: "taxation"

Insert: "to the extent authorized under [section 1]"

18. Page 16, line 21.

Strike: "The first \$12,000 of benefits"  
Insert: "Benefits"

19. Page 16, line 23.  
Following: "taxation"  
Insert: "to the extent authorized under [section 1]"

20. Page 17, line 4.  
Strike: "\$12,000"  
Insert: "the exclusions provided in [section 1]"

21. Page 17, lines 14 and 15.  
Strike: "except" on line 14 through "\$12,000" on line 15  
Insert: "to the extent authorized in [section 1]"

22. Page 18.  
Following: line 25  
Insert: "NEW SECTION. Section 17. Codification instruction.  
[Section 1] is intended to be codified as an integral part  
of Title 15, chapter 30, and the provisions of Title 15,  
chapter 30, apply to [section 1]"  
Renumber: subsequent sections

23. Page 19, line 11.  
Strike: "14"  
Insert: "15"

24. Page 19, line 12.  
Strike: "15"  
Insert: "16"

ROLL CALL VOTE

SENATE TAXATION

COMMITTEE

DATE: July 7, 1989

BILL NO.: HB5

TIME: 8:40 AM

NAME	YES	NO
SENATOR BROWN	✓	
SENATOR BISHOP	✓	
SENATOR CRIPPEN	✓	
SENATOR ECK		✓
SENATOR GAGE	✓	
SENATOR HAGER		✓
SENATOR HALLIGAN	✓	
SENATOR HARP		
SENATOR MAZUREK	✓	
SENATOR NORMAN	✓	
SENATOR SEVERSON	✓	
SENATOR WALKER	✓	

Mary Lepkand  
Secretary

Bob Brown  
Chairman

Motion:

Motion By Senator Halligan to adopt the  
Tier 1 portion of the Nordwest amendments

### ROLL CALL VOTE

## SENATE TAXATION

**COMMITTEE**

**DATE:**

July 7, 1989

**BILL NO.:**

HB5

**TIME:**

8:45 AM

[illegible]

Secretary

Chairman

**Motion:**

Motion by Senator Eck to adopt the

remainder of the Northwest amendments

ROLL CALL VOTE

SENATE TAXATION

COMMITTEE

DATE: July 7, 1989

BILL NO.: HB5

TIME: 8:50AM

NAME	YES	NO
SENATOR BROWN	✓	
SENATOR BISHOP	✓	
SENATOR CRIPPEN		✓
SENATOR ECK		✓
SENATOR GAGE	✓	
SENATOR HAGER		✓
SENATOR HALLIGAN		✓
SENATOR HARP		
SENATOR MAZUREK		✓
SENATOR NORMAN	✓	
SENATOR SEVERSON	✓	
SENATOR WALKER	✓	

Mary Lynch  
Secretary

Bob Brown/ndc  
Chairman

Motion:

Motion by Senator Norman that HB5  
as amended be tabled